

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 900 - HB 1218

March 22, 2021

**SUMMARY OF ORIGINAL BILL:** Enacts the “New Markets Development Act” (Act). Creates a tax credit against taxes on gross premiums as established in Tenn. Code Ann. § 56-4-205 and a credit against the reciprocity tax as established in Tenn. Code Ann. § 56-4-218. Establishes parameters and requirements for receiving such credits. Applicants for these credits must submit a \$5,000 application to the Department of Revenue (DOR). Limits the tax credits awarded to a maximum of \$20,000,000 in any given year. Establishes DOR’s ability to recapture credits, and for examination, certification, and rulemaking. Establishes the qualifications for a qualified entity to receive federal matching under this program. Requires participating entities to file an annual report to DOR.

For purposes of promulgating rules and creating forms and applications, this act takes effect upon becoming a law. For all other purposes, this act takes effect January 1, 2022.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –  
\$155,000/FY21-22 and Subsequent Years/Department of Revenue

Decrease State Revenue –  
\$20,000,000/FY21-22 and Subsequent Years/General Fund

Increase State Expenditures – \$155,000/FY21-22/Department of Revenue  
Exceeds \$903,700/FY21-22/General Fund  
Exceeds \$58,700/FY22-23 and Subsequent Years/  
Department of Revenue

IMPACT TO COMMERCE OF ORIGINAL BILL:

Decrease Business Expenditures – Net impact –  
\$19,845,000/FY21-22 and Subsequent Years

Jobs impact – Not Significant

**SUMMARY OF AMENDMENT (004379):** Deletes and substitutes language in the original bill such that the only substantive change is to make all references to the word “department” mean the Department of Commerce and Insurance (DCI), rather than DOR.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue – \$155,000/FY21-22 and Subsequent Years/  
Department of Commerce and Insurance**

**Decrease State Revenue –  
\$20,000,000/FY21-22 and Subsequent Years/General Fund**

Assumptions for the bill as amended:

- The taxes and reciprocal fines and fees that these credits apply to are collected and administered by the DCI.
- According to page A-62 of the Governor's Recommended Budget, an estimated \$1,074,700,000 will be collected from DCI in FY21-22, and according to DCI over \$1,000,000,000 is attributable to the tax established in Tenn. Code Ann. § 56-4-205, which was paid by 1,526 different insurance companies.
- The average tax liability per insurance company per year is estimated to be \$655,308 ( $\$1,000,000,000 / 1,526$ ); therefore, an estimated 31 ( $\$20,000,000 / \$655,308$ ) companies will have to apply for the total \$20,000,000 to be awarded.
- An estimated recurring increase in state revenue to the DCI of \$155,000 ( $\$5,000 \times 31$  entities) beginning in FY21-22 and a recurring decrease in state revenue of \$20,000,000 to the General Fund.
- It is assumed that the entirety of these credits will be used each year, beginning in FY21-22.
- DCI will not experience significant systems and personnel costs to administer the credits laid out in the proposed legislation.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- The proposed legislation would decrease business expenditures on taxes by \$20,000,000, but would have an increase in expenditures of an estimated \$155,000 for applying for the tax credits.
- The net impact to business expenditures is therefore estimated to be a decrease in expenditures of \$19,845,000 in FY21-22 and subsequent years.
- Any impact to jobs is considered to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid.

Krista Lee Carsner, Executive Director

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